

USPS-LR-R2013-1/3

Periodicals Cap Compliance

PREFACE

A. Overview of the Workpapers

USPS-R2013-1/3 contains the workpapers demonstrating that the percentage change in Periodicals prices complies with the Annual Limitation Authority. This preface is accompanied by an Excel file, CAPCALC-PER-R2013.xls, which documents both data sources and calculations for Periodicals price cap compliance. Because of the timing of this filing, hybrid year billing determinants are used throughout. These billing determinants cover the following periods: Q4 FY 2011 and Q1 through Q3 FY 2012. **The revisions of November 9, 2012 are described at the end of this Preface.**

In the Excel file, after the cover page and index, the next three tabs are: **Regular Rate BD**, **Nonprofit BD**, and **Classroom BD**. These three sheets provide the billing determinants for all of Outside County Periodicals including Science of Agriculture (SOA). Note that SOA volume is combined with Regular Rate volume except for the advertising pound volume rate cells in the Delivery Unit (DDU), Sectional Center Facility (SCF), Area Distribution Center (ADC), and Zones 1 and 2 entries. These SOA rate cells receive preferential treatment under the statute. There is one adjustment that was made to the billing determinants data ("preferred rate discount"), which is discussed below in section B. This adjustment relates to the recalculation of preferred rate discounts affecting both the Nonprofit and Classroom billing determinants.

The **Outside County** tab calculates the postage using the current prices as well as the new prices. The Limited Circulation discount dollar amount cannot be calculated for the adjusted prices because the billing determinants for these pieces are not available. Since this discount applies to the same rate cells as the preferred rate discount, the percent change in the calculated "preferred rate discount" dollar amount is used to calculate the Limited Circulation discount dollar amount for the adjusted prices. See section B.

The **Within County** tab - Determining Within County revenue is straightforward. The hybrid year billing determinants are used to calculate the postage revenue for cap compliance.

The **Passthroughs - OC Pcs** tab provides in a summary form the presort and automation passthroughs (discounts divided by avoided costs) for Outside County piece rates.

The **Price % of Cost-Bundle Contrib** tab provides the percentage of costs that are recognized in the various bundle, sack, and pallet prices.

The **Passthroughs - Within County** tab provides the presort, automation, and dropship passthroughs for Within County pieces.

B. Adjustment to the Billing Determinants

No adjustments to the billing determinants were needed.

C. The Revenue Calculations

The last tab, **Summary**, shows the revenue under current and new rates, along with the overall percentage change of 2.560% for the Periodicals mail class.

The **Summary** also details Periodicals banked authority resulting from the filing, citing Attachment C of this rate notice for the New CPI Authority (cell F18), and presenting new CPI Authority Used (cell F19), Unused New Authority (cell F20), Banked Authority (cell F22), Banked Authority Used (cell F23), Unused Banked Authority (cell F24), and, finally, New Banked Authority (cell F26).

REVISIONS OF NOVEMBER 9, 2012

As a result of Chairman's Information Request No. 7, Question 1, the Postal Service has made the following corrections.

Tab: Regular Rate BD

Row 139 labeled "Sacks Volume and Revenue", Cell G139 changed from \$28,479,644 to \$28,721,853, Cell I139 from \$29,374,090 to \$29,394,509. Summation was corrected to include MADDC level ONDC entry postage for both current and new prices. Also I139 is different because of corrections in cells H88 to H90 described below.

Rows 88 through 92, column H, prices are corrected. Cell H88 to H90 changed from \$2.238 to \$2.134. Cell H91 changed from \$1.599 to \$1.492, Cell H92 changed from \$1.279 to \$0.853. Due to this change the revenue figures based on new prices also are changed, and are highlighted

Total Pallet Revenue for new Price changed, Cell I140 changed from \$32,440,671 to \$32,515,428. Formula is corrected.

Ride-along Revenue volume change - Cell E142 from 20,423,187 to 22,683,162

RPN Revenue volume - changed Cell E143 from 3,586,522 to 3,540,047

FS IM Participation volume - changed Cell E144 from 2,961,242,624 to 2,496,726,293

All the changes and the resultant total changes are highlighted.

Tab: Nonprofit BD

Cell I104 changed from \$48,538 to \$14,424, Cell I105 changed from \$2013 to \$598 and Cell I106 changed from \$34,168 to \$10,154. Formula correction.

Cells H78 to I78 changed from blank to \$0.437,\$29,380, \$0.449, and \$30186, respectively..

Cell G131 changed from \$6,687,489 to \$6,716,868. Cell I131 changed from \$6,843,668 to \$6,873,854. Cell G132 changed from \$8,035,543 to \$8,059,341. Cell I132 changed from \$8,268,653 to \$8,293,830. Formula correction. Total Calculated revenue also changed because of these changes and is highlighted for both the current and new prices.

Volume for FS IM Participation changed from 538,769,919 to 568,521,388(Cell E136). As a result the dollar value of discounts changed accordingly (Cell G136 and I136)

Tab: Classroom BD

Cell G130 changed from 11,942,183 to 12,056,261 Cell I130 changed from 12,260,630 to 12,378,096 due to change in the volume qualifying for editorial discount Total Sack Volume (E132) changed from 345,946 to 348,695. Total Sack Revenue(G132) changed from \$549,004 to \$550,205 and (I132) changed from \$561,862 to \$563,096

Total Pallet Revenue G133 changed from \$1,169,654 to \$1,171,774 and I133 changed from \$1,204,491 to \$1,206,733

Total Calculated Revenue (G134) changed from \$23,810,618 to \$23,928,016 and (I134) changed from \$24,427,192 to \$24,548,134

Ride along volume (Cell E135) changed from 44,045 to 44,043

RPN Volume (E136) changed from 18,548 to 18,754

Cell E137 changed from 20,191,063 to 29,934,562; G137 and I137 both changed from -\$20,191 to -\$29,934.

Cell G138 changed from -\$1,155,375 to -\$1,147,337 and Cell I138 changed from -\$1,185,364 to -\$1,191,411

Tab: Outside County

Sack Revenue cell G137 changed from \$35,716,137 to \$35,988,926 and Cell I137 from \$36,551,179 to \$36,831,459. Formula corrected.

Pallet Revenue G138 change from \$40,786,285 to \$40,882,864 and I138 changed from \$41,913,815 to \$42,015,991. Formula corrected.

Preferred discount (G142) changed from -\$15,796,148 to \$15,567,751 and I142 changed from \$16,207,446 to \$16,160,993; E144 changed from 2,968,661,687 to 3,095,181,244. As a result the dollar value of discounts changed accordingly (Cells G144 and I144)

Tab: Within County

Ride along volume cell C24 changed from 589,103 to 383,691, Cell E24 changed from \$97,202 to 63309, and cell G24 changed from \$99,558 to \$64,844
 RPN volume cell C25 changed from 6,291,944 to 7,419,189, cell E25 changed from \$31,460 to \$37,096

The following table shows the changes in percent changes and banked authority resulting from the above corrections.

| Products | Percent Change | Percent Change |
|----------------------------|------------------|----------------|
| Revenue | After Correction | Original |
| Outside County | 2.535% | 2.546% |
| Within County | 2.903% | 2.911% |
| Subtotal | 2.549% | 2.560% |
| | | |
| Total Periodicals | 2.549% | 2.560% |
| | | |
| Bank Resulting From Filing | | |
| New CPI Authority | 2.570% | 2.570% |
| New CPI Authority Used | 2.549% | 2.560% |
| Unused New Authority | 0.021% | 0.010% |
| | | |
| Banked Authority | -0.562% | -0.562% |
| Banked Authority Used | 0.000% | 0.000% |
| Unused Banked Authority | -0.562% | -0.562% |
| | | |
| New Banked Authority | -0.541% | -0.552% |